

# THE SMALL BUSINESS BOOM UNDER THE BIDEN-HARRIS ADMINISTRATION

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# The Small Business Boom Under the Biden-Harris Administration

Through the American Rescue Plan and the equitable implementation of emergency relief programs, President Biden and Vice President Harris fostered the strongest recovery for Main Street on record. In 2021, Americans applied to start 5.4 million new businesses—more than 20 percent higher than any previous year on record.

The boom in new business creation has been particularly strong for entrepreneurs of color. In 2021, Hispanic Americans started new businesses at the fastest rate in more than a decade and 23 percent faster than pre-pandemic levels.

And, in the three-quarters of 2021, small businesses with fewer than 50 employees created 1.9 million jobs, the fastest start to small business job growth in any year on record.

This new White House report details the historic recovery for America's small businesses and demonstrates how the Biden-Harris agenda laid the foundation for this small business boom. By focusing on combatting the pandemic, providing Americans with greater financial security, and delivering more than \$450 billion in emergency relief to small businesses, the Biden-Harris Administration has helped create the conditions for unprecedented business and job creation.

The Biden-Harris strategy to rescue and revitalize Main Street contrasts sharply with the latest tax plan from Republicans in Congress. The Congressional Republican proposal put forward by Senator Rick Scott to impose a minimum tax on middle-class families would increase taxes on small businesses across the country. In addition to detailing the historic economic progress the Biden-Harris Administration has made to date, the Appendix includes a new state-by-state analysis of the Congressional Republican tax plan. The analysis finds that this tax plan would raise taxes on nearly half of small business owners (6.1 million people), including 82 percent of small business owners making less than \$50,000 per year. Under the Congressional Republicans' plan, the typical small business owner would see their taxes increased by almost \$1,200.

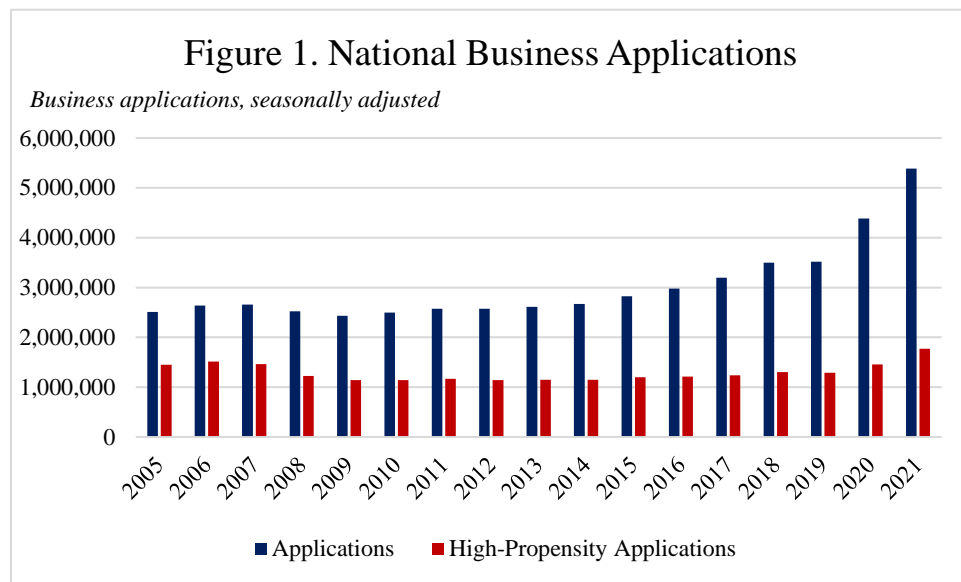
President Biden rejects Congressional Republicans' plan to increase taxes on half of small business owners. His four-pillar economic strategy for small businesses will lower costs and level the playing field for families and small businesses. The plan is focused on:

- 1. Expanding access to capital,**
- 2. Making historic investments in helping small businesses navigate available resources,**
- 3. Leveraging federal spending to support small businesses, and**
- 4. Leveling the playing field for small business owners by reforming the tax code.**



# Historic Levels of Business Creation

In 2021, Americans applied to start 5.4 million new businesses—more than 20 percent higher than any previous year on record and more than two-thirds higher than the annual average of 3.2 million new businesses applications per year in the five years prior to the start of the pandemic. Of these applications, roughly 1.8 million applications were for businesses that planned to hire employees (“high-propensity applications”), an increase of more than 17% over the previous annual record and more than 40% above the pre-pandemic average. Figure 1 below illustrates the strong growth in new business applications in 2021 compared to pre-pandemic years.



Source: *Business Formation Statistics*

Federal data also proves that this historic rise in new business applications is translating into growth in the overall number of businesses. [An April 2022 analysis of the Quarterly Census of Employment and Wages by the Economic Innovation Group](#) found that the total number of business establishments through the 3<sup>rd</sup> quarter of 2021 was 7 percent above pre-pandemic levels. This study also found that 74 percent of all counties in the country had more business establishments in the 3<sup>rd</sup> quarter of 2021 than before the pandemic. By contrast, only 44 percent of counties had more establishments even five years after the Great Recession.

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**“...the total number of business establishments through the 3rd quarter of 2021 was 7 percent above pre-pandemic levels.”**

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This boom in new businesses has been inclusive, as a number of studies show that new entrepreneurship rates have increased the most among minorities. In May 2021, [a study by Catherine Fazio, Jorge Guzman, Yupeng Lie, and Scott Stern](#) analyzed state level business



registration records and found that startup formation in the wake of the COVID pandemic was higher in areas with a higher proportion of Black residents and that this effect was magnified in higher median income black neighborhoods. A March 2022 [study from the Kauffman Family Foundation](#) found an increase in the rate of entrepreneurship amongst Blacks, Latinos, and immigrants. The study also found that Hispanic Americans started new businesses at the fastest rate in more than a decade and 23 percent faster than pre-pandemic levels. Hispanic Americans were more likely to become new entrepreneurs in a given month than Americans of any or racial or ethnic background.

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The record levels of Americans starting new businesses in 2021 is likely to enhance productivity in the years to come. New entrants make a significant contribution to [overall productivity growth](#), as [entrants and young establishments](#) are more productive than more established companies or ones that go out of business. Research also suggests that young firms tend to have [higher labor productivity growth](#) during their first 5-10 years. Higher productivity means that the economy can produce – and consume – more goods and services for the same amount of work, and is an important determinant of a country’s standard of living.

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**“The record levels of Americans starting new businesses in 2021 is likely to enhance productivity in the years to come.”**

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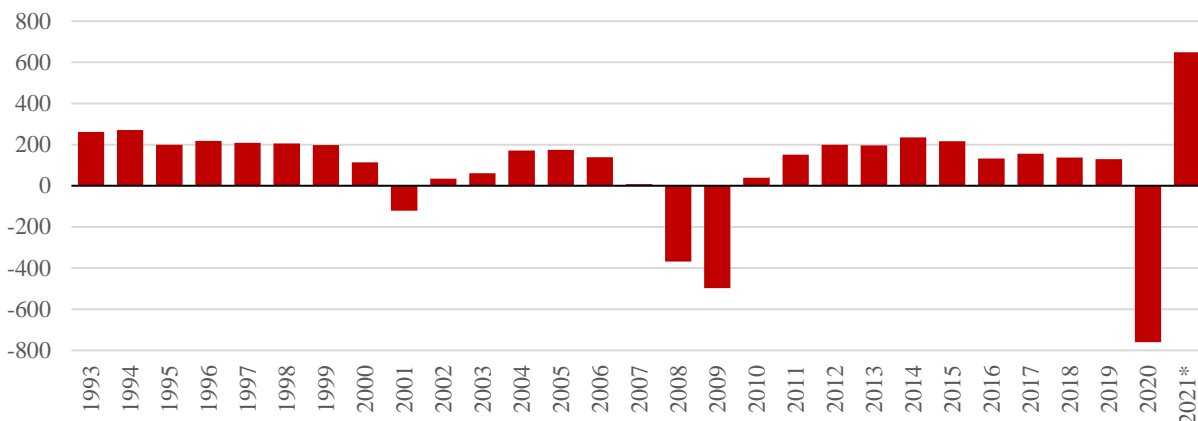
## **Small Businesses are Creating Jobs at the Highest Rate on Record**

Under the Biden-Harris Administration, small businesses are creating jobs. In the first three quarters of 2021, small businesses with less than 50 employees created 1.9 million jobs, the fastest 9-month start to small business growth in any year on record. These 1.9 million jobs represented 49% of net job growth across firms of all sizes over that period, the second highest share on record.



**Figure 2. Average quarterly net change in private sector jobs at firms with fewer than 50 employees.**

*Average quarterly net employment change, thousands, seasonally adjusted.*



*Notes and Sources: National Business Employment Dynamics (BLS), CEA.*

***\*Through Q3 of 2021***

This is consistent with the January results of a [leading survey of small business owners](#), which found that the share of small businesses planning to create new jobs in the next three months was higher than it ever was at any point during the previous Administration, and just 6 points below the highest reading in the 48-year history of the survey set in August.

## A Day One Focus on Recovery and Growth

This historic boom in entrepreneurship is no accident. By focusing on combatting the pandemic, providing millions of Americans with financial security, and delivering hundreds of billions in equitable emergency relief to small businesses, the Biden-Harris Administration helped create the conditions for new business creation. When the Biden-Harris Administration first entered office, small businesses faced major headwinds. Hundreds of thousands had closed over the course of the pandemic, the unemployment rate was at 6.4%, and millions of workers remained out of the workforce. Only two million Americans had received vaccines against COVID-19 and the Federal government had no strategy to distribute them. While Congress had appropriated billions in small business relief in 2020, mom-and-pop businesses and those owned by minorities and women had too often been shut out of earlier relief efforts because of the prior administration's design and implementation of relief programs.

The Biden-Harris Administration took all of these challenges head on, passing the American Rescue Plan, and reforming the two major small business relief programs: the Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loan (EIDL) Program. These actions helped preserve financial stability for millions of Americans and power historic rates of economic growth and job creation, all of which have encouraged more and more Americans to start businesses.



## **Provided Millions of Americans with a Financial Lifeline Through the American Rescue Plan**

By betting on themselves to start their own business, entrepreneurs are also making a statement about their optimism about the economy. Through the American Rescue Plan, the Biden-Harris Administration created the conditions for an entrepreneur-driven recovery by expanding access to COVID-19 vaccines and testing, preventing evictions and foreclosures, stabilizing the child care industry and helping schools to safely reopen, protecting the financial stability of millions of Americans, lifting historic numbers of children out of poverty, and protecting access to health care. Even with the challenges posed by the Delta and Omicron variants, supports from the American Rescue Plan helped power a historic and durable economic recovery that helped prevent untold hardship and protect livelihoods.

Through the American Rescue Plan, the Biden-Harris Administration supported Americans through the following:

**REACHED MORE THAN 85% OF ALL AMERICANS WITH \$1,400 PER PERSON ECONOMIC IMPACT PAYMENTS**

**THROUGH THE FIRST-EVER MONTHLY CHILD TAX CREDIT PAYMENTS, PROVIDED SUPPORT TO THE FAMILIES OF MORE THAN 60 MILLION CHILDREN**

**CUT THE COST OF HEALTH INSURANCE PREMIUMS BY AN AVERAGE OF 50% FOR 14.5 MILLION AMERICANS**

Studies by numerous economists have found that these economic support programs have left most Americans on a stronger financial footing, giving them the economic security they need to consider starting a new business. A May 2021 study of growth in Black entrepreneurship found a link between Federal relief payments and new business license applications, strongly suggesting that the supports contained in the American Rescue Plan were a key driver of the nation's boom in small business creation.

## **Reformed the PPP to Reach Small Businesses Left Out by the Previous Administration**

Within weeks of taking office, the White House and Small Business Administration (SBA) announced a number of policy changes to target the PPP to the smallest businesses and to companies that have been left behind in previous relief efforts. PPP's initial round of roughly \$350 billion was depleted after two weeks in April 2020, raising concerns that women-and-minority-owned businesses were unable to equitably access relief. A Government Accountability Office (GAO) analysis found that the first round of funding disproportionately benefited larger businesses. The House Select Subcommittee on the Coronavirus Crisis found that the prior Administration encouraged banks to limit their PPP lending to existing customers, which ultimately excluded many minority- and women-owned businesses that did not have existing banking relationships. Additionally, the subcommittee determined that, in 2020, the SBA and Treasury failed to issue guidance prioritizing underserved markets, including minority- and women-owned businesses.



To address these issues, the Biden-Harris Administration implemented a number of reforms, including the following:

- Instituted a 14-day period from February 24<sup>th</sup> through March 9<sup>th</sup>, 2021 during which only businesses with fewer than 20 employees were able apply for relief through the Program. This exclusive application period allowed lenders to focus on serving these smallest businesses, which often needed additional time to navigate the paperwork entailed in completion applications.
- Helped sole proprietors, independent contractors, and self-employed individuals that file a Schedule C with their IRS 1040 tax forms receive more financial support by revising the Program's funding formula for these applicants. These types of businesses, which include home repair contractors, beauticians, and small independent retailers, make up a significant majority of all businesses. And our smallest businesses are the most diverse: businesses without employees are 70 percent owned by women and people of color, compared to 30% of businesses with employees. Yet many were structurally excluded from the PPP, or were approved for as little as \$1 because of how PPP loans were calculated. To address this problem, in early March 2021 the Biden-Harris Administration implemented changes to the PPP loan formula – with the support of more than 100 organizations, including the NAACP, National Urban League, and the Center for Responsible Lending – to provide Schedule C businesses with more relief, and established a \$1 billion set aside for Schedule C applicants without employees located in low- and moderate-income (LMI) areas.
- Consistent with a bipartisan bill, eliminated the restriction that prevented small business owners with prior non-fraud felony convictions from obtaining relief through the PPP. Before the Biden-Harris Administration took office, an applicant for the PPP was ineligible if it was at least 20 percent owned by an individual who could not pass (1) a five-year look-back for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance; and (2) a one-year look-back for any other felony. Due to disproportionately higher rates of incarceration for Blacks and Latinos, this restriction served as one additional barrier for many minority-owned small businesses. To expand access to PPP, the Biden-Harris Administration adopted bipartisan reforms included in the PPP Second Chance Act, co-sponsored by Senators Ben Cardin (D-MD), Rob Portman (R-OH), Cory Booker (D-NJ), and James Lankford (R-OK), to eliminate the existing one-year look-back for non-fraud felonies unless the applicant or owner was incarcerated at the time of the application.
- The Administration also worked to increase the amount of lending made through Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs). These lenders have well-established histories making loans to minority-owned businesses and, in recognition of this fact, Congress set a minimum target of \$15 billion in the Economic Aid Act of 2020 that authorized the final round of PPP. The Biden-Harris Administration worked to exceed this target by partnering closely with lenders through regular calls to ensure a regular flow of referrals to community financial institutions and minority depository institutions.





The [latest data](#) shows that these reforms had an impact on expanding access to PPP by small businesses from underserved communities. According to a report by the [independent GAO](#), these reforms increased loan access for the smallest and minority-owned businesses that were too often left out of earlier funding. [A February 2022 study](#) found that the PPP under the Biden-Harris Administration provided more support to businesses located in minority communities than the previous rounds under the Trump Administration, and specifically pointed to the reforms announced in February 2021 as a contributing factor.

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## **Delivered Billions in Targeted Small Business Relief Through the American Rescue Plan**

In addition to critical financial supports for families, the American Rescue Plan also included targeted grant relief and tax credits for small businesses hit hard by the pandemic. These supports helped businesses stay open and keep workers on payroll. Through the funding and modifications provided in the American Rescue Plan, the Biden-Harris Administration:

- Delivered immediate relief to more than 100,000 hard-hit small restaurants and other food and drinking establishments through emergency grants.
- Provided small grants to more than 600,000 of the hardest-hit small businesses through the Targeted and Supplemental EIDL Advance programs.
- Sped relief to nearly 13,000 theaters, live venues and other entertainment and cultural hubs, with more than 90% of grants going to operators with 50 or fewer employees.
- Provided billions in tax credits to small businesses to help them rehire and retain workers by extending the Employee Retention Tax Credit and expanding eligibility to include recent start-ups.
- Helped hundreds of thousands of businesses offer paid sick leave through the Paid Leave Credit, making it easier for employees to get vaccinated, encouraging sick employees to stay home, and keeping employees and customers safer.

The American Rescue Plan also provided states and localities with critical aid to help them tailor their response to the public health emergency to address their communities’ most pressing needs, including facilitating support for small businesses hard-hit by the pandemic. To date, hundreds of states, localities, and tribes have invested more than \$4 billion of State and Local Fiscal Recovery Funds provided by the American Rescue Plan to help small businesses survive, recover, and thrive. Fiscal Recovery Funds are supporting local small business relief efforts like those in Lincoln, Nebraska to provide stabilizing mortgage and rental assistance to the small businesses most impacted by the pandemic; or additional financial assistance to restaurants and



small businesses as in Los Angeles, California; or to address gaps in the current business support system that affect small businesses—especially historically underserved business entrepreneurs who lack access to resources, technical assistance, or social support networks—like in Fort Collins, Colorado.

## **Reforming the COVID EIDL Program to Better Serve Businesses**

In 2021, the Biden-Harris Administration strengthened the SBA’s COVID EIDL program, which offered long-term, low-cost loans to small businesses and non-profits. The improvements allowed more business to get greater and more flexible support from the program and consisted of the following:

- Increasing the maximum loan amount from \$150,000 upon taking office to \$500,000 over the summer of 2021 and to \$2 million in September 2021. These funds can be used to hire and retain employees, purchase inventory and equipment, and pay off higher-interest debt.
- Extending the deferment window to 30 months, ensuring that small businesses could get through the pandemic without having to worry about making payments.
- Making it easier for eligible small businesses with multiple locations in hard-hit sectors like restaurants, hotels, and gyms to access relief.
- To ensure that taxpayer dollars are used to support businesses that truly need help, SBA implemented new practices to subject loans above \$500,000 to additional scrutiny.
- The Administration has also worked closely with the oversight community on EIDL and other SBA programs to put into place new standards, additional safeguards, and other preventative measures to ensure program integrity. The SBA Inspector General [testified](#) in January 2022 that “SBA is more prepared now than they’ve ever been in terms of the control environment that is currently in place from a risk perspective” and that the “programs have more integrity in them right now than they did at the onset” of the pandemic.

## **Making it Easy for Small Businesses to Access Relief from the Restaurant Revitalization Fund**

The American Rescue Plan included several features to ensure historically underserved small businesses would be able to access aid, including the creation of an initial funding prioritization period for Restaurant Revitalization Fund applications from historically underserved business owners and women- and veteran-owned small businesses. The American Rescue Plan also included a set-aside to ensure funds would reach small businesses with less than \$500,000 in gross receipts. But the Administration also took several additional steps to ensure access to needed relief for the smallest of small businesses who needed the assistance most. This included the creation of additional funding set-asides for very small businesses including those with



annual gross receipts below \$50,000. In addition to the set asides, the SBA conducted hundreds of outreach events and provided key information in multiple languages, as well as engaging in a first-of-its-kind technology initiative to partner with point of sale providers, such as Clover, NCR Corporation, Square, and Toast to make it easy for thousands of restaurant owners to accelerate their Restaurant Revitalization Fund application submission process working directly with their point-of-sale service providers. As a result of these efforts, nearly two-thirds of available funds reached businesses owned by women, veterans, and economically and socially disadvantaged individuals.

## Supporting Small Businesses and Entrepreneurs During the Pandemic

Overall, the Biden-Harris Administration in 2021 provided historic levels of support to small businesses and entrepreneurs.

**\$450+ BILLION IN EMERGENCY RELIEF VIA SBA  
TO MORE THAN 6 MILLION SMALL BUSINESSES**

### **2021 Biden-Harris PPP Reforms Made an Impact—Compared to the Previous Administration’s PPP Round**

**67%** – Increase in Loans to Businesses in Low to Moderate Income Communities

**35%** – Increase in Loans to Businesses with Less than 20 Employees

**40%** – Increase in Loans to Rural Small Businesses

**\$42K** – Average Loan in 2021, Down from \$101K Under Previous Administration

**NEARLY 6X** – Number of Loans Made by Community Financial Institutions Increased to 1.4M, Up from 241K Under President Trump



**Through the Restaurant Revitalization Fund, the Biden-Harris SBA was able to:**

Provide more than 100,000 businesses with grants averaging **\$283,000**

Support restaurant owners in all 50 states, Washington DC, and territories

Deliver **\$18 BILLION** in relief to underserved populations, including:

Women-Owned businesses: **\$7.5 BILLION**

Veteran-Owned businesses: **\$1 BILLION**

Social and Economically Disadvantaged Individual-Owned businesses: **\$6.7 BILLION**

Businesses Owned by Representatives of Multiple Underserved Populations: **\$2.8 BILLION**

**Through the COVID Economic Injury Disaster Loan program, the Biden-Harris SBA has offered low interest, long-term loans with no payments due for 30 months.**

*Key numbers:*

**\$155 BILLION** to approximately 820,000 small businesses since taking office

**95%** of borrowers have less than 20 employees

Roughly **ONE-THIRD** were located in LMI areas

**56%** of loans were \$50K or less

**\$95K** – average loan size over life of the program



# The Biden-Harris Administration Plan to Support Small Business Growth for Years to Come

The Biden-Harris Administration has made historic progress to date, and remains committed to helping America's new small businesses grow and create jobs. The Administration's economic agenda is focused on lowering costs and leveling the playing field for families and small businesses, with the goal of extending the entrepreneurship boom under President Biden continues for years to come.

Our strategy to support small businesses is focused on four pillars:

- 1. Expanding access to capital by offering more than \$300 billion in loans and equity investments through the end of the decade;**
- 2. Making historic investments in programs that help entrepreneurs find the resources they need;**
- 3. Leveraging Federal procurement, infrastructure spending, and research and development to direct hundreds of billions in government contracts to small businesses; and**
- 4. Leveling the playing field for small business owners by reforming the tax code.**

## **1. Expanding Access to Capital by Offering More than \$300 Billion in Loans and Equity Investments Through the End of the Decade**

Small businesses need capital in order to start up and grow. The early days of the pandemic revealed stark differences in access to capital, with too many mom and pops and minority-owned businesses lacking the established banking relationships to access the previous Administration's version of PPP. As the country's economic recovery accelerated in 2021, small businesses experienced more challenges in accessing traditional, non-emergency capital than they faced prior to the pandemic. In a [recent survey of small businesses with employees](#), the Federal Reserve found that 36% of firms sought traditional financing in 2021 compared to 43% in 2019. When small businesses did obtain lending, they were much likelier to receive less than they sought, with only 30% of businesses in 2021 reporting they receive the full amount of financing requested compared to 51% in 2019.

The Biden-Harris Administration will expand access to low-cost loans and investment capital through the following initiatives:

- Leveraging tens of billions of dollars in loans and equity investments in partnership with States, Territories, and Tribes to increase access to capital for small businesses.*** Through the American Rescue Plan, the Treasury Department is working with all states and territories and more than a hundred Tribal governments on standing up small



business lending and investment programs as part of the American Rescue Plan's State Small Business Credit Initiative (SSBCI). This investment will catalyze tens of billions in public and private capital to support low-cost loans, microloans for our smallest businesses, and venture capital focused on small businesses, including for businesses owned by socially and economically disadvantaged individuals. As of early Spring 2022, jurisdictions have proposed over 70 equity investment programs and over 130 small business credit support programs that would leverage SSBCI. By this summer, the first wave of programs will launch, unlocking billions of dollars in new lending and investment capital for tens of thousands of small businesses in big cities and small towns all across America.

- ***Improve SBA's traditional loan programs by expanding access to provide more than \$250 billion in financing to more than 500,000 small businesses by the end of the decade.*** The SBA's traditional 7a, 504, and microloan programs are in more demand than ever before, collectively reaching a record high loan volume in Fiscal Year 2021 [by providing \\$44.8 billion through more than 61,000 loans](#). In recognition of this demand, Congress increased the lending ceiling for 504 loans by Certified Development Companies (CDCs) by \$3.5 billion to \$11 billion total in the Consolidated Appropriations Act for 2022 and the President's Budget for Fiscal Year 2023 would increase the ceiling for the 7a loan guarantee program by \$5 billion to \$35 billion overall. To ensure easier access to these programs, SBA will modernize its online Lender Match tool to allow improved match making and a simpler experience for both the borrower and lender. SBA will also reduce barriers for entrepreneurs with criminal backgrounds, so that individuals who have spent time in the criminal justice system are able to access critical small business loans to start up, grow, and create jobs. The SBA will also expand access to flexible capital for small manufacturers and improve access to low-cost small loans to the smallest businesses.
- ***Increase access to capital through the Small Business Investment Company (SBIC) Program and drive more than \$50 billion in public and private investment by the end of the decade.*** For more than 60 years, the SBIC Program has enabled access to long-term financing for American small businesses. In Fiscal Year 2021, the SBA committed \$4 billion alongside private sector investors to private equity and private credit funds licensed as SBICs. This led to \$7.1 billion in financing to support more than 1,000 small businesses across the country. Yet outdated regulations have led to the SBIC Program supporting predominantly long-term debt and not equity investment. This has resulted in limited support by SBICs for main street and innovation economy new businesses founded by underrepresented small business owners. SBA is reviewing current SBIC program rules to identify potential reforms that would drive more capital into sectors and small businesses undercapitalized by private sector investors.
- ***Strengthen community lenders by investing capital and deepening partnerships.*** CDFIs are on the frontlines of the battle to close the racial wealth gap, providing historically underserved and often low-income communities access to credit, capital, and financial support to grow businesses, increase affordable housing, and reinforce healthy neighborhood development. To help community lenders fulfill their mission, the Biden-Harris Administration has taken steps to expand and improve the SBA's Community Advantage loan guarantee programs. SBA [will also increase](#) the number of CDFIs that participate in Lender Match by 20% by September 30, 2023. Treasury's Emergency





Capital Investment Program (ECIP) is also investing approximately \$8.74 billion through CDFIs and MDIs. Treasury anticipates that small business lending will make up a significant portion of the increase in lending from institutions that receive ECIP investments. Treasury's CDFI Fund routinely makes funding available to CDFIs that provide capital and technical support to small businesses and the \$1.25 billion CDFI Rapid Response Program, deployed in June of 2021, is already having impact in the market.

- ***Provide new sources of capital to support small and medium sized manufacturers.*** During President Biden's first year in office, manufacturing as a share of U.S. Gross Domestic Product returned to pre-pandemic levels, companies have announced major new investments in American manufacturing, and the economy added 367,000 manufacturing jobs – the most in nearly 30 years. Supporting small manufacturers is critical to maintaining this momentum, which is why the Biden-Harris Administration will implement a number of new credit initiatives through the Department of Treasury, SBA, and the Export-Import Bank (EXIM) in the coming year. As part of the American Rescue Plan's SSBCI initiative, the Treasury Department will convene state, local, territorial, and Tribal governments this Spring to share ideas and highlight best practices, building to a roundtable of elected officials and other stakeholders later this year to highlight accomplishments. SBA will also promote and prioritize licenses for SBICs committed to providing capital to domestic small business manufacturers. SBIC fund managers have financed over \$14 billion in manufacturing-related businesses over the last decade, representing 24 percent of total dollars invested through the program during that period and making the program a good source of potential investment going forward. And EXIM has launched a new [Make More in America](#) initiative to provide loans and loan guarantees to support manufacturers seeking to export to foreign markets.
- ***Investing \$1 billion to catalyze regional economic growth across the country.*** The Commerce Department Economic Development Administration's (EDA) \$1 billion Build Back Better Regional Challenge (BBBRC) program is a critical American Rescue Plan initiative that aims to boost economic recovery from the pandemic and rebuild American communities, including those grappling with decades of disinvestment. The BBBRC will support community-led plans to develop and strengthen regional industry clusters across the country, all while embracing equitable economic growth, creating good-paying jobs, and enhancing U.S. global competitiveness. In December, EDA announced 60 Phase 1 finalists – each a coalition of partnering entities such as state and local government, Tribes, labor unions, institutes of higher education, and philanthropy – that proposed projects that will develop or scale regional industry sectors, develop and train the workforce of today, and build resilient economies. Each finalist was awarded approximately \$500,000 to further develop their proposed projects and strengthen their regional growth clusters in advance of submitting a Phase 2 application. These grants will help the finalists take their projects to the next level in preparation for the Phase 2 deadline and also serve as critical long-term coordination and planning resources to diversify and strengthen America's regional economies.



## 2. Making it Easier than Ever for Aspiring and Established Entrepreneurs to Access Federal Small Business Programs

Many small businesses, especially those from underrepresented communities, lack the access to technical expertise, accountants, and lawyers employed by better resourced businesses. The Biden-Harris Administration will help level the playing field by making historic investments in providing Main Street small businesses with the additional support they need to access federal, state, and local programs that can help them start up and grow. These investments include:

- ***Establishing the \$100 million Community Navigator program at SBA and strengthening other technical assistance programs.*** Funded as part of the American Rescue Plan, the Community Navigator Pilot Program launched last year and is deploying trusted and culturally competent community service providers to close resource gaps for small businesses—in urban and rural America—with a priority focus on those businesses owned by veterans, women and socially and economically disadvantaged individuals. Through this pilot program, SBA is partnering with 51 grantee organizations that will work with over 400 local community groups in all 50 states and Puerto Rico to connect America's small businesses to federal, state, and local resources so they can recover and thrive. This new program builds upon SBA's nationwide network of over 1,300 Resource Partners that offer technical assistance to small businesses. SBA also recently launched the [Small Business Digital Alliance](#), a public-private partnership to offer small businesses with critical tech resources to start and expand their e-commerce business, with an eye toward scaling for success.
- ***Strengthening the Minority Business Development Agency (MBDA).*** Latino and Black Americans are roughly 30 percent of the U.S. population; yet they own less than 10 percent of small businesses with employees. For more than 50 years, the only federal agency solely dedicated to the growth and global competitiveness of minority business enterprises has been operating with limited resources and without permanent authorization from Congress. The Bipartisan Infrastructure Law made MBDA permanent, elevated its Director to Under Secretary of Commerce, and gave the agency more tools and authorities to support underserved businesses. The President's FY2023 budget request would more than double the funding for the under resourced agency. These actions will enable MBDA to create and expand programs to address the economic challenges facing underserved communities, expand minority business ownership, and shrink longstanding inequities in wealth and opportunity.
- ***Providing technical assistance to help businesses access Treasury's SSBCI program.*** In establishing the SSBCI program, which will catalyze tens of billions of dollars in public and private dollars to support loans and investments in small businesses, the American Rescue Plan included a historic investment to provide technical support to these businesses. The focus of these dollars will be on ensuring that the smallest businesses and those owned by socially and economically disadvantaged individuals are able to access legal, accounting, and financial advisory services when applying for SSBCI capital programs or other state or federal small business programs. Treasury has announced that it is making available \$200 million of these funds to states, territories and





Tribal Governments for their technical assistance efforts and \$100 million to be implemented by the MBDA.

- ***Expanding Resources and Programming for Women-Owned Small Businesses.*** Women represent one of the fastest growing entrepreneurial segments in the country and were among the hardest hit by the COVID-19 pandemic. Under the Biden-Harris Administration the SBA has invested \$22.4 million in establishing the largest Women's Business Center (WBC) network in the agency's history and expanding the network to every state in the U.S., Washington, DC and Puerto Rico. In total the SBA WBC footprint has expanded to 141 centers providing counseling and technical assistance services to nearly 100,000 women entrepreneurs annually. Over the last year, SBA has doubled the number of WBCs at HBCUs, established two new centers in Puerto Rico, and increased funding by 41% to \$31 million to further meet the demands of women entrepreneurs.
- ***Support for Native American-Owned Small Businesses through the pandemic.*** American Indian, Alaska Native and Native Hawaiian owned businesses play crucial roles in their respective communities and many of these communities were devastated by the pandemic. The Biden-Harris Administration and the SBA invested an unprecedented level to help these businesses recover from the pandemic. In 2021 the SBA helped provide \$2.28 billion in Paycheck Protection Program Loans to American Indian, Alaska Native and Native Hawaiian businesses. These PPP loans supported 7,513 Native American-owned businesses. Additionally, in 2021 the SBA helped provide \$303 million in emergency assistance for eligible restaurants, bars, and other qualifying businesses impacted by COVID-19 through the Restaurant Revitalization Fund. Native American-Owned Small Businesses will continue to be a core priority moving forward. Through the Community Navigator program established by the American Rescue Plan, the SBA has created 30 new partnerships with Native American-focused and led organizations that will help connect Native American-owned businesses to the resources they need to grow and succeed.

### **3. Leveraging Federal Procurement, Infrastructure Spending, and Research and Development Funding to Support Small Businesses**

Budgets reflect values, and the Biden-Harris Administration is committed to ensuring that Federal spending is used to create opportunities for the nation's small businesses. Over the next few years, the Administration will be working to ensure that the Federal government's historic investments to revitalize the nation's infrastructure and annual spending on goods, services, and research and development helps support small business growth.

The Biden-Harris Administration will:

- ***Leverage the Bipartisan Infrastructure Law to strengthen Main Street businesses.*** The Bipartisan Infrastructure Law will equip Main Street entrepreneurs with the tools and resources they need to innovate, create good-paying jobs, and provide the essential goods and services our communities need. The Biden-Harris Administration's implementation of the law will:



- *Reduce small business shipping delays by upgrading our nation's transportation infrastructure.* Decades of declining public investment has left our roads, bridges, rail, and transit systems in poor condition, with a trillion-dollar backlog of needed repairs. Prior to the pandemic, nearly two-thirds of small business owners considered local roads and bridges average, poor, or very poor quality and more than half of small business owners said infrastructure investments are crucial to the success of their business. The Bipartisan Infrastructure Law will invest \$621 billion in transportation infrastructure and resilience to help small businesses obtain the inputs they need and deliver goods and services to consumers across America and around the world.
- *Help small businesses hire new employees and reach new customers by providing universal broadband.* Broadband internet is necessary for Americans to do their jobs and increasingly important for small business owners all across America. Yet, by one definition, more than 30 million Americans live in areas where there is no broadband infrastructure that provides minimally acceptable speeds. Even before the pandemic, 7 in 10 small business owners felt it was important for Congress to fund broadband projects. The Bipartisan Infrastructure Law will invest \$65 billion in broadband access, affordability, and equity; helping ensure that every American has access to reliable high-speed internet and creating new opportunities for small businesses nationwide.
- *Expand access to tens of billions of dollars' worth of federal, state, and local government contracts, including more than \$37 billion through the U.S. Department of Transportation (DOT).* For too long, America's small businesses have struggled to compete for and win government contracts. The Bipartisan Infrastructure Law includes a historic procurement effort designed to support small businesses and tackle long standing inequities in the contracting system. Among other things, the legislation directs DOT to work to ensure that more than \$37 billion in infrastructure contracts are awarded to disadvantaged business enterprises, representing at least 10 percent of the funding appropriated to the Federal Highway Administration, Federal Transit Administration, and National Highway Traffic Safety Administration. The Bipartisan Infrastructure Law will put Main Street to work rebuilding the nation's roads and bridges, eliminating the nation's lead service lines and pipes, deploying broadband, and installing thousands of miles of new and resilient transmission lines.
- ***Increase access to billions of dollars in federal spending for small businesses.*** The federal government is the largest consumer in the world each year, spending more than \$650 billion in goods and services, while spending roughly \$160 billion in research and development. The Biden-Harris Administration will ensure that small businesses participate in these expenditures by:
  - *Increasing the share of federal procurement dollars that go to small disadvantaged businesses (SDB)s by 50% by 2025.* In June 2021, President Biden committed to grow the share of federal contract dollars spent using SDBs from the nearly 10% it has reached in recent years to 15% by Fiscal Year 2025 – a 50% increase. Last year, the Biden-Harris Administration [announced its strategy](#) to



achieve this goal, including a series of reforms to reduce barriers to entry, increase incentives for the acquisition workforce, and improve transparency.

- *Expanding through the President's 2023 Budget access to Federal research and development investment to drive more than \$50 billion in funding to innovative small businesses through the end of the decade.* Each year, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs provide competitive, merit-based opportunities, for innovative, US-based small businesses and startups to pursue high-potential scientific, technological and research endeavors with a focus on commercialization. In Fiscal Year 2021, 11 participating Federal agencies invested more than \$4 billion through the SBIR/STTR programs in approximately 4,000 innovative companies. Over the past 40 years, SBIR/STTR investments have played a critical role in the early life and success of significant technologies and firms like Qualcomm, iRobot, Sonicare, and 23andMe. Today, SBIR/STTR enables projects addressing critical needs for innovation in support of our national defense, including technologies to autonomously protect our borders using artificial intelligence and to train fighter pilots utilizing augmented reality to enhance defense preparedness and warfighter safety. The Department of Defense has found that for every \$1 invested in the SBIR and STTR programs there has been [a \\$22 return to the American economy](#). Yet underserved small business owners building innovative companies have historically participated in these programs at low rates. The Biden-Harris Administration will improve access for underrepresented small business owners to SBIR and STTR funding by strengthening outreach and enhancing technical and business assistance available to these businesses.
- *Establishing an SBA Office of Manufacturing Initiatives designed to help small manufacturers access contracting opportunities.* Manufacturing is the fourth largest employer among small businesses, comprises the largest share of U.S. exports, contributes significantly to the supply chain in many industries and plays a uniquely historic role in the economic health of communities across the country. However, the small manufacturers are under-represented within federal procurement receiving only 15% of manufacturing contracts from federal agencies; moreover, women and people of color are significantly under-represented as small business owners in the manufacturing sector compared to all sectors. Announced by President Biden in July 2021 and funded in the President's 2023 Budget, this SBA office will advance policies that expand opportunities for small manufacturers to compete for a greater share of federal contracts and by developing supports to help small makers to automate, improve processes, expand capacity, export, diversify supply chains, and develop human capital strategies.

#### **4. Leveling the Playing Field for Small Business Owners by Reforming the Tax Code**

While Main Street is roaring back, many small businesses struggle to grow and compete globally due to a tax code that disproportionately benefits multinational corporations. The Biden-Harris



Administration's agenda would give tax relief to millions of entrepreneurs, and crack down on the unfair tax schemes that give big corporations a leg up.

According to a White House analysis, the President's Agenda would deliver tax cuts to more than 3.9 million entrepreneurs and only raise taxes on those making over \$400,000. That means 97 percent of small business owners would not face any income tax increases, and, in fact, millions would be getting tax cuts.

When it comes to big corporations, the President's plan makes sure that they no longer have an advantage over Mainstreet Businesses by being able to engage in sophisticated tax games.

The current tax system unfairly prioritizes large multinational corporations over Main Street American small businesses. In 2018, married couples making about \$150,000 working at their own small business paid over 20 percent of their income in federal income and self-employment taxes. By contrast, U.S. multinational corporations paid less than 10 percent in corporate income taxes on U.S. profits.

For this reason, the Biden-Harris Administration supports a 15 percent corporate minimum tax here and around the world to ensure that no large profitable corporation gets away with paying \$0 in taxes and reversing the massive 2017 Republican tax cuts, by increasing the corporate tax rate to 28 percent.

By contrast, Congressional Republicans not only oppose making big corporations pay their fair share, they have also [proposed](#) hiking taxes on middle-class families and small business owners, which would result in a tax increase for half of small business owners, including 82 percent of those making less than \$50,000 per year. Under this Republican plan, the typical small business would see their taxes increase by roughly \$1,200.

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Specifically, the Administration will:

- ***Level the playing field and raise revenue that will help pay for new programs for Main Street.*** Nearly three-quarters of small businesses say the current tax system favors big businesses over small businesses and that their business is harmed when big corporations use loopholes to avoid taxes. About two-thirds of small business support increasing taxes on corporations. The Biden-Harris Administration is calling on Congress to raise the corporate income tax rate to 28 percent; strengthen the global minimum tax for large multinational corporations; enact a 15 percent minimum tax on book income of large,



highly profitable corporations; eliminate incentives for large corporations to offshore profits and jobs; and ramp up enforcement to address tax avoidance among large corporations. These proposals will make the tax code fairer while protecting millions of small businesses from tax increases. For example, President Biden's proposal to restore the corporate tax rate halfway back to its pre-2018 level would not affect any small businesses that file taxes as a passthrough entity (LLCs, S-corps, and sole proprietorships). That's nearly every small business in America.

- ***Give a tax cut to 3.9 million small business owners.*** Because of the American Rescue Plan, millions of middle-class families – including small business owners – are receiving well deserved tax cuts through the Child Tax Credit, the Earned Income Tax Credit, Affordable Care Act Premium Tax Credits, and the Child and Dependent Care Tax Credit. The Administration is proposing extending that tax relief because he believes that middle-class families and Main Street entrepreneurs already pay enough in taxes. Extending these provisions would cut taxes for 3.9 million small business owners, giving them the financial security and peace of mind they need to grow their business.
- ***Protect 6 million small business owners from Congressional Republicans' Main Street Minimum Tax plan.*** In 2017, Congressional Republicans passed a tax package that prioritized big corporations over Main Street small businesses. Now, [they are calling](#) for middle-class Americans – including small business owners – to pay more than \$100 billion more in taxes each year. According to a new analysis from the White House, the Congressional Republicans' Main Street Minimum Tax would increase taxes on 6.1 million small business owners. The typical small business owner affected by this plan would have to pay more than \$1,000 more in taxes each year. Main Street already pays plenty in federal, state, and local taxes, with some small business owners paying twice the rate as big corporations. President Biden opposes Congressional Republicans' new Main Street Minimum Tax and remains committed to protecting all Americans earning less than \$400,000 per year from tax increases.



## Appendix

In February, Florida Senator Rick Scott released an 11-point plan to “Rescue America” that noted, “All Americans should pay some income tax to have skin in the game, even if a small amount. Currently over half of Americans pay no income tax.” While Senator Scott did not specify how his plan would work, independent analysts have interpreted this plan as creating a minimum tax of \$100 for unmarried filers and \$200 for couples filing jointly, regardless income level. This would effectively eliminate the refundable portion of tax credits such as the Child Tax Credit and the Earned Income Tax Credit, while reducing the value of the standard deduction for low- and middle-income households.

While institutions like the Urban-Brookings Tax Policy Center estimate that as much as 97 percent of the tax burden of Scott’s plan would fall on those making less than \$100,000, there have been no in-depth analyses of the impact on small business owners.

The following table presents the results of a new Biden-Harris Administration analysis of how Senator Scott’s proposal would affect small business owners. The analysis defines small business owners as individuals whose active income or loss from small business represents at least 25 percent of their Adjusted Gross Income; all passive income and losses are disregarded. Small businesses include businesses filing as S-corporations, partnerships, and on individual income tax return Form 1040 Schedules C, E and F, but do not include C-corporations, RICS, and REITs. The small business threshold is set at \$5 million of income or deductions.

The analysis finds that Senator Scott’s proposal would increase taxes for 49.7 percent of small business owners (6.1 million tax units). Among small business owners earning less than \$50,000 per year, 81.6 percent (5.6 million tax units) would see their taxes increase. The median annual tax increase for small businesses whose taxes would increase under Senator Rick Scott’s plan is \$1,200.





Table A. State-by-State Estimates of Congressional Republicans' Middle-Class Minimum Tax Proposal				
Percentage of Small Business Owners with a Tax Increase and Average Tax Increase, by State				
State	Small Business Owners		Small Business Owners Earning Less than \$50,000	
	Share with Tax Increase	Median Tax Increase	Share with Tax Increase	Median Tax Increase
AK	38.6%	\$1,600	79.0%	\$1,000
AL	58.0%	\$2,400	83.6%	\$2,000
AR	61.6%	\$1,800	84.9%	\$1,700
AZ	55.1%	\$1,600	83.7%	\$1,200
CA	49.0%	\$1,600	83.1%	\$1,200
CO	47.0%	\$1,200	81.2%	\$700
CT	42.6%	\$900	80.4%	\$600
DC	35.4%	\$1,100	78.1%	\$800
DE	48.3%	\$1,200	78.7%	\$700
FL	56.8%	\$1,400	82.6%	\$900
GA	58.3%	\$2,000	84.8%	\$1,700
HI	49.8%	\$700	81.1%	\$500
IA	50.6%	\$900	79.3%	\$600
ID	59.6%	\$1,200	84.1%	\$700
IL	48.9%	\$1,600	82.1%	\$1,200
IN	56.3%	\$1,200	82.1%	\$700
KS	53.5%	\$900	81.8%	\$600
KY	59.4%	\$1,700	82.8%	\$1,300
LA	55.5%	\$2,300	83.5%	\$2,000
MA	41.4%	\$700	79.2%	\$500
MD	42.7%	\$1,400	78.7%	\$1,000
ME	55.1%	\$900	80.5%	\$600
MI	55.4%	\$800	82.5%	\$600
MN	46.4%	\$700	79.0%	\$500
MO	56.6%	\$1,100	82.8%	\$700
MS	62.5%	\$2,800	84.2%	\$2,800
MT	58.6%	\$600	82.0%	\$400
NC	56.3%	\$1,800	83.1%	\$1,600
ND	49.9%	\$600	81.6%	\$400
NE	52.6%	\$900	81.0%	\$600
NH	38.5%	\$1,500	74.3%	\$600
NJ	43.5%	\$1,400	81.9%	\$800
NM	60.0%	\$1,300	84.6%	\$900
NV	55.3%	\$1,700	80.8%	\$1,200
NY	49.3%	\$1,400	82.7%	\$1,000
OH	52.2%	\$1,500	79.2%	\$900
OK	58.1%	\$1,600	84.4%	\$1,200
OR	53.2%	\$800	80.9%	\$600
PA	50.8%	\$800	80.4%	\$600
RI	48.9%	\$1,100	79.9%	\$700
SC	57.2%	\$1,800	82.8%	\$1,600
SD	55.3%	\$700	80.4%	\$500
TN	56.5%	\$1,800	81.9%	\$1,600
TX	54.3%	\$2,500	83.7%	\$2,200
UT	52.0%	\$1,800	82.4%	\$1,400
VA	45.8%	\$1,700	80.6%	\$1,300
VT	53.5%	\$500	81.6%	\$300
WA	44.6%	\$1,300	78.9%	\$700
WI	51.7%	\$700	79.8%	\$500
WV	62.0%	\$1,500	83.7%	\$900
WY	54.3%	\$700	81.7%	\$400